

DRAFT 2019/20 HOUSING REVENUE ACCOUNTS (HRA) BUDGET

Cabinet Member Cllr Peter Hare-Scott/Cllr Ray Stanley
Responsible Officer Andrew Jarrett, Deputy Chief Executive (S151) and
Andrew Pritchard, Director of Operations

Reason for Report: To consider options available in order for the Council to set a balanced budget for 2019/20.

RECOMMENDATION(S): To consider the draft budget proposals for 2019/20 and note the proposed balanced position at this time.

Relationship to Corporate Plan: To deliver our Corporate Plan priorities within existing financial resources.

Financial Implications: The Housing Revenue Account currently has a balanced budget for 2019/20. It is a statutory requirement for the local authority to set a balanced budget each year.

Legal Implications: None

Risk Assessment: Group Managers and Finance staff have assessed volatility in income and large contractor budgets, taking account of current estimated future demand patterns. In addition, prudent levels of reserves will also continue to be maintained.

Equality Impact Assessment: No equality issues identified for this report.

1.0 Introduction

- 1.1 The HRA is a ring-fenced account within Mid Devon's financial accounting system. This means that a balanced budget must be set each year including all income and expenditure pertinent to the Council's landlord function and excluding all other income and expenditure (since this would be captured as part of the General Fund budget).
- 1.2 This report will set out management's proposals for a draft HRA budget for 2019/20 and Members will see from Appendix 1 that, as it stands, the budget has been balanced. The report outlines a few high level issues affecting the HRA today, along with how they may impact when setting the final budget for 2019/20. The report will make recommendations to Members to note its content and to highlight issues expected to affect the HRA in the future.

2.0 Key issues

Right to Buy Property Sales

- 2.1 Central Government has imposed a Right to Buy (RTB) policy on local authority landlords which is extremely generous to the tenant but which is detrimental to the running of an HRA. The result of this is that our tenants are incentivised to exercise their right to buy and each time they do, our rental income is reduced and the sale proceeds are limited.
- 2.2 At present, a tenant could pay as little as £30,000 for a £100,000 house. In such a case as this, the Council would retain only a portion of this as some of the money has to be returned to Central Government. If we then fail to spend sufficient funds on building new homes during the subsequent three years, more of the sales proceeds have to be returned to Central Government. There may be future reform to this, see 2.3 below.

Rent decrease

- 2.3 In 2015 Central Government announced that social and affordable rents would decrease by 1% each year for the four years from 2016/17 to 2019/20. The budget being set for 2019/20 is the fourth and final year of this policy. At the time of writing this report the Ministry of Housing, Communities and Local Government (MHCLG) has published a Green Paper setting out the Government's plans for reforming the social housing sectors. Within the paper reference was made to the rent settlement of Consumer Price Index +1% from 2020 to 2025.
- 2.4 Despite this proposed increase, whilst we currently have sufficient funds to carry out the day-to-day running of the service, it is a challenge for the Council to build new homes at the rate that Central Government requires, with the funds available.

Other income

- 2.5 Any proposal to amend garage rents will be submitted at the next Homes PDG.
- 2.6 Community alarms are now held within the Council's General Fund therefore do not form part of the revenue of the HRA.

3.0 Direct Labour Operation (DLO) carrying out non DLO works

- 3.1 Each year any low demand periods experienced by our operatives are put to good use by carrying out works that might otherwise require the Council to use an external contractor and so incur additional cost. In doing so, the repairs team are able to transfer a significant amount of their costs to the relevant area and so reduce the overall DLO budget.
- 3.2 For 2019/20 the DLO have budgeted to transfer £1.2m of their costs to other areas as well as £600k disabled adaptations work. This is a huge

achievement as well as the obviously demanding task of maintaining an excellent repairs service.

4.0 Recommendation

- 4.1 It is recommended that Members consider the proposals for this draft HRA budget along with the details laid out in this report. It is also recommended that Members note that this report proposes a balanced budget for 2019/20. This is positive in that it means that there are no savings yet to be found to balance the budget.
- 4.2 However, it should be noted that as this report is a first draft of the 2019/20 budget invariably some items within the budget are likely to change between now and the actual budget being agreed by Council and these changes could come as a result of Members' suggestions, management proposals or central government instructions.

5.0 Future issues

- 5.1 Universal Credit has been the biggest uncertainty in social housing for the last few years and continues to be so, subsequent to it going live. The Green Paper referred to in 2.3 makes reference to changes that may be brought in that will benefit the resident, but it is unclear how any proposed changes will impact on the budgets for the Council in its landlord function. There may be some clarity on this before the next Policy Development Group.
- 5.2 Following 2019/20, the current 1% rent decrease will cease (see 2.3) and then there will be five years of increases at CPI + 1%. After that, it is unclear what rent policy Central Government will impose. Clearly, the costs of running the service will increase with inflation over the coming years and so it is hoped that rent collected will be sufficient to meet the needs of the service.

6.0 Conclusion

- 6.1 This report has set out a proposed balanced budget for the HRA for 2019/20, with appendices attached showing the following:
- 6.1.1 The overall make-up of the budget at summary level; and
- 6.1.2 An extract from the planned and cyclical maintenance budget.
- 6.2 It is recommended that Members note the contents of this report and details of the proposed budget. A further, more detailed report will come to the PDG in January 2019 prior to approval by Council in February.

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Circulation of the Report: Cllrs Peter Hare-Scott and Ray Stanley, Leadership Team, Group Managers for Housing Services and Building Services